

Testimony of Raphael L. Podolsky

H.B. 6589 – AAC Rent Stabilization in Mobile Manufactured Home Parks

Housing Committee public hearing – February 21, 2023

Recommended committee action: SUPPORT WITH SIGNIFICANT CHANGES

We support the stabilization of rent in mobile manufactured home parks. For rent stabilization to be effective, however, it must apply sufficient pressure against rent increases so as to provide real protection to renters, while still allowing park owners to meet costs. This involves a balancing. A bill that sets permissible rent increases too high will not accomplish that purpose and will instead risk the opposite impact. As presently drafted, this bill would allow annual rent increases equal to increases in the Consumer Price Index plus 4%. That formula would restrict only exceptionally high rent increases. Indeed, it could actually justify rent increases well beyond any increases in the park owner's actual costs. The bill should be revised to hold rent increases to less than they would have been without the bill, not to invite cost increases even greater than CPI.

In evaluating this bill, it is important for Committee members to understand what mobile manufactured home parks are. There are almost 200 mobile home parks in Connecticut, with a total of nearly 10,000 homes. Fifty-four towns have at least one park. The towns with the greatest number of mobile homes are Groton, East Hartford, Southington, and Shelton. Notwithstanding their names, mobile homes are not mobile – they are a form of manufactured housing. Mobile home parks are not RV parks or campgrounds. They are permanent residential communities. Many park residents are seniors on limited income. The homes are brought to the park by flatbed truck, placed on a foundation, and tethered to the ground. In most cases, it is not practical to move the home. Most park residents own the home but rent the lot. Mobile home park rents, as a result, are much lower than apartment rents, because usually only the land is being rented and not the home itself. Mobile homes are expensive to move and, in any event, there are few places to which a home can be moved. If rent increases make the park unaffordable, residents will be forced to move but cannot take their homes with them. This often results in either abandonment of the home or sale of the home well below its value. The two most important events that can drive a homeowner/resident out of a park, with the resulting loss of the home or the home's value, are the closing of the park and the increasing of rent to a point at which the resident can no longer afford to live there. Because of this impact, Connecticut law includes some special protections for mobile home park residents that not all other renters have.

We are now in a time period of rapid rent increases. Many of these are the result of the purchase of parks by entities – often based outside of Connecticut -- with little concern for the residents but with a newly discovered recognition that park residents are a captive audience

that cannot move and must therefore live with whatever rent increases may be demanded. With no responsibility for maintaining the homes themselves, some investors are also making little commitment to park maintenance. Some parks therefore become a target for pure investment – not because of an interest in mobile home parks as housing but as a product that can be bought inexpensively and up-priced relatively easily, with rent-paying homeowners already in place who cannot move because they cannot relocate their homes. This situation makes it especially important for Connecticut to provide rent protections for residents in mobile home parks.

H.B. 6589 cannot effectively stabilize rents unless it relates rent increases to actual increases in operating costs (including reasonably amortized capital improvements). For some parks, such an increase will be less than the increase in the Consumer Price Index. Particularly when a new park owner/investor is involved, operating costs may actually be lowered. Services may be reduced (e.g., roads may be less well maintained) or costs may be transferred to the resident (e.g., payment for water may be made the resident's responsibility).

Taken together, we think that a rent stabilization structure should be based on a permissible annual rent increase of less than CPI, but with provision for upward adjustment upon a showing of actual increase in operating costs. The permissible increase proposed in H.B. 6589 – CPI plus 4% -- would provide little incentive to hold down rent increases. A more appropriate CPI-based structure, would be something like CPI minus 2%, but with a procedure for adjustment based on actual cost increases in the operation of the park. This accomplishes the goal of discouraging high rent increases but provides a mechanism by which adjustment can be made to permit coverage of increased costs.

Note: The bill incorrectly refers in several places (e.g., lines 6 and 18) to the rent or certificate of occupancy for a "dwelling unit." While the bill can cover mobile homes owned and rented out by the park owner (which are therefore "dwelling units"), most residents of mobile home parks own their own home and the rent is for the lot, not the home. In addition, Section 1(d)(3) is largely irrelevant to lot rentals in the mobile home park context. Even if it is intended to refer to an entirely new park, it should exempt, at most, only the initially-set rent after construction of the park. Under the Mobile Manufactured Home Park Act, rents must be consistent for comparable lots in the same park; and the placement of a new home will not affect the comparability of the rent of the lot.